

## **PRIVATE SECTOR DEVELOPMENT CONTRACT**

# **Tirana Land Management Program Legal, Institutional, and Financial Issues**

### **Prepared for**

United States Agency for International Development  
Bureau for Europe and Newly Independent States  
Office of Energy, Environment and Urban Development  
Urban Development and Housing Division  
Washington, DC

### **Prepared by**

#### **The Land Management Task Force:**

Ministry of Construction and Tourism  
National Planning Institute  
District of Tirana  
Municipality of Tirana

#### **Consultants:**

PADCO, Inc.  
GHK International  
Unit for Housing and Urbanization, GSD, Harvard University

**Contract No. EUR-0034-C-00-2032-00, RFS 54**

**March 1995**

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*Funds for production of this report were provided by the  
United States Agency for International Development*

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## Preface

This *Legal, Institutional, and Financial Issues* report was developed in Tirana by the Tirana Land Management Task Force based on work between November 1994 and February 1995. This report is part of a series of documents that the Task Force is producing with Technical Assistance from the United States Agency for International Development. When completed, these documents will include:

- A Infrastructure and Trunk Needs Assessment;
- The Preliminary Structure Plan of Tirana;
- A Pilot Project pre-feasibility study for Western Tirana;
- A Preliminary Zone Action Plan for Western Tirana;
- Tirana Land Management Program — Legal, Institutional, and Financial Issues; and
- A Synopsis with an Action Plan.

The Land Management Task Force, meeting on a regular basis, provided oversight and policy direction to the Joint Project Team. The Task Force members, who represent a new partnership in central-local relationships for the development of an urban planning strategy include:

- Juli Shllaku, Director, Territorial Adjustment Department, Ministry of Construction and Tourism
- George Kotmilo, Director, National Planning Institute
- Koco Kaskaviqi, Director, Town Planning Department, City of Tirana
- Viron Hamzaj, Director, Planning Section, District of Tirana

The Joint Project Team included a multi-disciplinary team of Albanian and expatriate experts who worked together at the Ministry of Construction and Tourism. The Task Force and Joint Project Team acknowledge the assistance provided by central and local government agencies and officials who provided valuable assistance and access to information. They are noted in Appendix A. Team members included:

- Linda Murthi, Planner, National Planning Institute
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  - John Driscoll, Project Coordinator

- ▶ David Jones, Financial Advisor
- ▶ Mona Serageldin, Legal and Upgrading Policy Advisor

# **Tirana Land Management Program — Legal Issues**

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## **1 Background**

Urban land management is a complex and highly dynamic situation that requires:

- knowledge and understanding of the dynamics and processes of urban growth in a segmented and unregulated land driven market;
- capacity to formulate strategic approaches to planning and development; and
- legislative authority to implement proactive initiatives.

### **1.1 Formal Development**

In the absence of enforceable land development regulations, Territorial Adjustment Councils function by default as land management agencies. This is a highly unsatisfactory situation, since the councils are often evaluating project proposals without the benefit of updated regulatory plans or an overall urban development strategy. They are not well positioned to address the broader issues and strategies of urban development, yet their decisions create legal precedent and produce concrete activities which affect the urban environment in a patchwork pattern.

### **1.2 Informal Settlements**

Demographic growth, rural urban migration, and the rapid expansion of the urbanized zone have resulted in chaotic development patterns, wasteful of land resources and costly to provide with infrastructure and urban services. With the bulk of land transactions and building activity occurring outside the legal framework for development, documenting ownership, registering titles, and recording transactions are becoming increasingly complex undertakings. It may not be possible to keep up with the pace of development. The area covered by reliable, up-to-date records may actually shrink as a percentage of the urbanized zone.

## **2 Legal and Administrative Constraints Impeding the Development of Functional Land Markets**

### **2.1 Land Valuation and Sales Prices**

The price of land fixed by the 1994 law and the proposed changes setting minimum sales and rental values indexed to the consumer price index (CPI) cannot be considered a viable proxy for the market value of land. In Albania, the emerging private land markets suffer from imbalances and dysfunctions that tend to segment the market, distort prices, and affect relative rates of appreciation.

**2.1.1** The base price designated in the law: \$8/m<sup>2</sup> within the yellow line in Tirana and \$4.8/m<sup>2</sup> in settlements outside the yellow line does not reflect current values. Land prices within the municipal boundary range from \$50 to \$70/m<sup>2</sup> in residential zones and from \$100 to \$200/m<sup>2</sup> in the commercial center. Prime locations can reach \$300/m<sup>2</sup>. In outlying unserviced settlements, land prices range from \$10 to \$30/m<sup>2</sup>. Good sites close to major roads

can reach \$50/m<sup>2</sup>. Fixed prices fail to reflect the relative advantage of each parcel in terms of location, access, service, size, and shape, as well as the desirability of the area from the social and environmental viewpoints. Nor do they take into account actual and permitted use or site development potential.

**2.1.2** In Albania, as in other countries experiencing sustained demand on urban land, international experience has demonstrated that land becomes the most rapidly appreciating commodity outpacing the CPI, driven by the infusion of capital from remittances and local private savings.

**2.1.3** Uncontrolled, heterogeneous growth patterns can lead to dramatic changes in land values over very short periods of time as a result of infrastructure projects (expansion of distribution and collection networks or repair and replacement of existing systems), fluctuations in the flow of remittances, expectations regarding exchange rates, inflation, and alternative investment opportunities.

The use of formulas that may apply in stable markets not subject to intense development pressures is not valid in this case. There is no substitute for basing real estate valuation on actual market transactions.

## **2.2 The Transfer and Disposition of State-Owned Land**

Law 7693 on city planning (4/6/93), Article 36, has been interpreted as prohibiting the transfer of land to private parties prior to improvement and development of the land.

The language of Article 36 **authorizes** physical and judicial entities undertaking construction activities to purchase the land upon certification by the District Building Inspection services of satisfactory completion of the building structural shell. The land purchase is transacted through the District Finance section.

The Article was originally intended to control rampant speculation which resulted in serviced land remaining undeveloped for prolonged periods. It has not been effective as a deterrent to speculation. However, it is preventing public agencies from selling land (serviced or unserviced) to developers and individuals and collecting the sales price prior to project completion.

To overcome this constraint, public authorities have resorted to leasing land on concessionary terms to developers who undertake the steps to subdivide and valorize the land. Individuals who purchase finished houses can register the property in their own name and pay the fixed price of land to the local authorities. This procedure is highly unsatisfactory. It allows developers to collect the high value of serviced land, a public asset they do not own, through the sales price of the newly built houses. It deprives public authorities from recovering the real value of their assets. Since land is transferred at a fraction of its real market value, the process results in an unwarranted transfer of public resources to a few private individuals. More importantly, it erodes the capacity of government to finance infrastructure projects since

Article 21 of law 7512 of 1991 earmarks the proceeds of the sale of building plots for local government to finance their infrastructure projects.

## **2.3 Unregulated Development and Informal Settlements**

The process of informal land development is well described in previous reports and studies, most recently in the surveys carried out in the *Laprake* area in conjunction with proposals to upgrade the settlements.

Approaches to regularization should be based on the following.

### **2.3.1 Recognizing the Tapi as an official document establishing property rights pending registration.**

These rights are transferable even if properties have to be legally kept under joint/shared ownership rather than subdivided among the holders of various rights. Transfers of property rights will continue to be transacted freely on the informal market. The problem is that successive undocumented transactions lead to confused situations that can be further complicated by conflicting claims and restitution.

### **2.3.2 Establishing simple and expeditious procedures to record occupancy rights.**

Settlers typically access land in one of two ways: they acquire property rights from presumed holders who parcel off the land and sell building plots; or they buy occupancy rights from previous settlers who subdivide and sell part of their parcels. These unregistered transactions are usually documented between the two parties by a bill of sale which is sometimes attested to by witnesses and notarized.

Registration procedures stipulated in Part IV (section 23-27) of the law on the registration of real estate require holders of undocumented property rights to obtain a notarized declaration from neighbors and witnesses, supporting the validity of the ownership claim and the accuracy of the boundaries. The process can be cumbersome, but it also helps defuse conflicts and avoids having the ownership status of land tied in endless litigation. Alternatively, settlers could document their rights by obtaining a certification from local councils verifying their claims. The former procedure is slower; the latter is more politicized. In this respect, the PMU/IPRS recommendation to map buildings in informal settlements and record existing buildings without recording the surrounding land greatly diminishes the usefulness of the record. For land management purposes, the boundaries of the land claimed is more important than the footprint of a building, which may be expanded horizontally as well as vertically.

## **3 Recommendations**

### **3.1 Land Valuation and Sales Pricing**

- Formulation of eligibility criteria and qualifications for licensing of real estate appraisers.



- Establishing procedures for registration and licensing of certified appraisers.
- Compiling an atlas of appraised land values in different sectors of the Tirana region as a first step in the creation of a database for land management.
- Eventually, computerizing and linking cadastral maps, ownership records, and assessed valuations.
- Setting up procedures for local management of records and updating of information.

Rather than setting a fixed minimum sales price indexed to the CPI, the law could authorize the public agencies selling real estate to:

- Sell serviced and unserviced land by public auction.
- Establish an appraisal committee composed of: a representative of the Ministry of Construction and Tourism, a representative of the District, a representative of the City of Tirana, and two knowledgeable professionals qualified to be certified real estate appraisers.
- Reject offers which fall below a reserve price determined by the appraisal committee.
- Negotiate with potential developers and investors of larger projects to seek the most advantageous package from the viewpoint of the public sector.
- Develop subdivision regulations stipulating the proportion of the land area which can be allocated to public uses without compensation.

### **3.2 Transfer and Disposition of State-Owned Land**

**3.2.1** Disassociate between land transfer, collection of transaction price, and valorization of the land by the buyer. Article 36 of the law on City Planning should be amended to authorize central and local agencies to:

- Auction serviced and unserviced developable land. The inability of public authorities to prevent encroachments on vacant land they hold and the lack of funds to extend and upgrade infrastructure systems is resulting in a massive loss of public land reserves, progressively consumed by unauthorized construction activities.
- In serviced zones or in areas where services are to be extended, land parcels in public ownership should be auctioned to individual or corporate buyers, developers, or investors. The practice of auctioning land should be initiated as soon as possible to determine real market values.
- In unserviced zones, land released to private developers should be auctioned. Land sold as building plots in planned subdivisions should be priced to recover fully the site improvement costs, including infrastructure services. Local agencies preparing or commissioning studies and project proposals should explore opportunities for cross-subsidization of plots allocated to lower-income families through linkage schemes, including parcel to parcel links.

**3.2.2** Collect prepayments, down payments, and sales prices in accordance with schedules of payments which enable these agencies to channel funds to prefinance off-site secondary infrastructure networks, as well as cross-subsidize eligible development activities. A typical schedule of payment could require buyers to pay 40 percent down and the balance in two equal payments of 30 percent each. The title is to be transferred upon settlement of the price.

**3.2.3** Regularization of informal development.

Regularization procedures should avoid embroiling urban planning and management agencies in complex legal issues of property rights and tenure. Under the various laws governing privatization and restitution, competing claims result in protracted conflicts which impede development and are best left to the courts to resolve. Two factors are key to regularization:

- Defining the boundaries of the land plot claimed by each settler.
- Recording the names of occupants whether they claim ownership, are renters, or consider themselves extended family members allowed to reside under special arrangements (transient accommodations, rent free, grace period, mix of cash payments and free labor, etc.)

This information is also needed for taxation of beneficial occupancy and levying fees and charges for infrastructure and urban services.

The use of detailed plans to regularize the status of *de facto* occupancy should be explored. It is a useful mechanism that gives residents security from displacement and challenges to their right of occupancy. Urban planning authorities and infrastructure agencies avoid being involved in the settlement of tenure issues. Residents sort out on their own their ownership and tenancy rights directly with the parties involved.

# **Tirana Land Management Program — Financial Issues**

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## **1 Background**

The purpose of financial analysis during the Structure Planning Process was to address the effect of specific site development on the overall financial situation of public services within the greater Tirana metropolitan area, with specific concern as to the effect on the provision, maintenance, and expansion of its basic urban infrastructure.

A detailed statement of funding and cost-coverage options for all likely infrastructure activity related to urban development, including economic and administrative justification and funding for both capital development and operation and maintenance, can be found in Appendix B.

## **2 Fiscal Administration**

The delegation of local urban public services to the municipal and district level is, in principle, very comprehensive. However, it occurs within an administrative framework where local governments have no legal or financial autonomy. Local governments are executing programs developed by central government ministries which formulate and allocate budgetary funding for the services at the local level. In the Municipality of Tirana, for example, approximately 93 percent of FY93 operational expenditures were financed by various central government ministries and departments. In the same period, 80 percent of the capital program was directly financed by the central government. The remaining 20 percent was largely financed by recurrent budget sources which are largely financed by central government sources.

There are a number of taxes collected directly by the local government units, which they are allowed to spend more at their own discretion. These local taxes appear to be used for supplementing centrally funded expenditures. Currently, they are not substantial and do not include a property tax. An analysis of the FY93 budget shows that in the total Lek raised in local revenue, 30 percent of the funding items produced 70 percent of the total.

A property tax is expected to be introduced in 1995 on a very simple basis. This will be administered and collected by the central government taxation department, with only 60 percent of the proceeds remitted to local government units. In 1995, moreover, a “block grant” is expected to be provided to local government units to be expended more at local discretion. Specific central grants for locally administered services are expected to continue, at roughly their present levels.

Consistent with the present system of delegation, budgets of the local government units appear to be more “allocative” than “activity-based.” This inhibits a comprehensive understanding of the relative implications of expenditures on specific services, programs, or activities. It also suggests that the use of such budgets for local management purposes is severely circumscribed. Local financial officials are concerned with the recording and reporting of financial information, and it appears that these functions are carried out with

scrupulous attention to detail. What is lacking are the tools for financial analysis and a municipal management system that demands financial planning to guide investment decisions.

### 3 Financial Performance

A large proportion of the local expenditure is directed at social services, rather than infrastructure with education and health services particularly emphasized. These social services are “operational”-driven, rather than “maintenance”-driven. The opposite is true with respect to much of the physical infrastructure. This is reflected in poorly functioning water supply, sewerage, drainage, and solid waste services.

The competition for the available limited funding results in inadequate financial resources for capital investment into both rehabilitation and new facilities to serve the expansion needs of the city. As shown below, the funds allocated for roads, water networks, and sewerage for FY93 and FY94 within the Municipality of Tirana are extremely limited in comparison with the need for rehabilitation and new infrastructure.

	FY93	FY94
Roads	165,000	240,000
Water Networks	810,000	Not Available
Sewerage	200,000	155,000

**Note: Figures in \$.**

It is unlikely that these low levels of funding will continue given that the government budget is under pressure because of fiscal deficits. Only a relatively small proportion of this deficit represents capital investment, which — in the best of circumstances — could justify public borrowing. In Albania, because there is no capital market, reliance will need to be placed on either foreign support or local monetary measures, both of which are clearly very limited.

New initiatives will in the short-term be “expenditure-generating” rather than “expenditure-limiting.” For example:

- The Italian-financed water-supply improvements will likely generate a need for additional maintenance expenditures. While it is expected that these costs will be covered by user charges, the extent to which this will occur in the immediate future is unclear.
- The contracting-out of the solid waste service will continue to generate additional expenditures on complementary services to be performed by the municipality. Additionally, new solid waste disposal facilities are required and will create further fiscal obligations on local government.
- Every additional building, whether formal or informal, will add an additional physical — and therefore financial — overload to an already overburdened system.

## 4 Implications

Given the tremendous need, there will be little public funding available from local sources in the near future to support either the restoration of infrastructure for current residents or that required for the occupants of newly constructed buildings.

Every effort must be made to raise substantial finance for infrastructure from the occupants of the new sites and buildings. All available evidence suggests that this is a much more promising source than any available in the public sector.

Unfortunately, the present administrative framework limits the opportunity to generate funds from the sale of unserviced or serviced land. To overcome these issues the steps must be taken to:

- strengthen the institutional capability of local government to plan, budget, and implement programs, including the preparation of urban investment programs;
- develop a substantial system of local property tax, based on the principle of “beneficial occupation,” supplemented by the use of occupancy permits for those in temporary occupation of public or private land;
- restructure regulations which currently do not allow the sale of property until buildings have been completed;
- remove arbitrary price limits on land sales; and
- permit the local encumbrance, by the use of project accounts or similar mechanisms to allow for surpluses arising from land sale proceeds to be channeled into off-site access infrastructure.

The implications of these matters for an externally financed development project suggest that these projects should concentrate on the provision of trunk infrastructure, rather than immediate off-site infrastructure.

# **Tirana Land Management Program - Institutional Development Issues**

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## **1 Infrastructure Planning and Coordination**

Tirana and other major Albanian cities would benefit from an integrated infrastructure improvement program to help coordinate the considerable rehabilitation and new works funded by different agencies and international lenders and donors. The current organizational structure among central and local government can be built on to improve coordination among the ministries involved in urban development. Given the lead role played by the Ministry of Construction and Tourism, an integrated infrastructure approach could build on the numerous directorates within the Ministry of Construction who oversee central government projects that are implemented at the local level. An integrated approach would:

- create stronger links between central and local priorities and implementation capabilities;
- avoid the high cost of uncoordinated infrastructure improvements that occurs when governments mix local and outside funding sources; and
- help create stronger links between land use planning and the provision of infrastructure.

Under an integrated approach, local authorities establish priorities with national sectoral authorities providing advice. A medium-term development plan (for example, the plan could match the first five years of the Structure Plan) is outlined to identify needs and priorities by area and sector. Investment, operations, and maintenance plans are developed; options for public or private sector identified; and a financing plan is developed based on local revenue, private sector participation, and national and international funds. A structure can be established that:

- encourages planning, programming, and identification of investment priorities by all levels of government through a more decentralized and integrated approach. Priorities for expenditures will emphasize economic, social, or environmental objectives with an emphasis on rehabilitation, operations, and maintenance and services for lower-income areas.
- strengthens local government's capability for resource mobilization and leveraging private resource mobilization and strengthens the central-local transfer mechanism (loans or grants) for urban infrastructure. This includes targeting development grant funds to encourage strategic development objectives.
- strengthens the institutional capability of local government to plan, budget, and implement programs. This will require two actions:
  - an assessment of local government manpower and training needs, emphasis to be given to raising the capabilities of urban development staff for local revenue administration; planning and preparation of urban investment programs; project implementation and supervision; and operations and maintenance to carry out immediate rehabilitation of existing urban infrastructure.
  - technical guidance from central and specialized training sources to continue for all urban government units to ensure successful implementation.

## 2 Coordination on Interjurisdictional Issues

In developing the Structure Plan, several key institutional bottlenecks to implementing land management strategies were identified. For example, the majority of new informal settlements and land available for development is located on or in close proximity to the existing municipal/district boundary. To plan and service these areas with infrastructure, cooperation is required among central government, two or more local government jurisdictions, and numerous sectoral agencies. Additionally, major infrastructure investments and environmentally sensitive projects require coordination on a metropolitan level.

To address these issues, the Land Management Task Force recommends that a planning and coordination body be formed to establish strategic planning objectives for metropolitan development. Activities could include:

- coordination of development services, activities, and investments affecting more than one local government jurisdiction;
- development of and recommendations for priorities for off-site infrastructure investments, with particular reference to trunk infrastructure, together with related treatment and disposal facilities;
- development of and recommendations for strategies for land management, including the provision or disposal of publicly owned land;
- development of policies and planning strategies for the linkage of central and core urban development with that on its urban fringe, especially in regards to agricultural land;
- providing assistance in seeking and assembling funds, on suitable terms and conditions, for the achievement of its objectives, including funds for the provision of off-site development; and
- providing assistance in identifying and resolving legal, financial, and administrative impediments to the achievement of its objectives.

The jurisdiction would include the entire area of the Tirana Municipality and also such communes or other areas of the District of Tirana as designated to be potential suburban areas. It would include the Tirana Airport and its immediate surroundings.

The planning group's mandate could include the preparation of preliminary structure plans; substantive plans for extended infrastructure; financial agreements among private owners, developers, and governmental authorities with respect to land management; and cost-sharing arrangements or guidelines for urban development. The group's mandate would not override the powers and duties of the existing central or local government authorities exercised within its jurisdiction, including those of the Municipality and District of Tirana (and their administrative subdivisions), nor of the Councils for Territorial Adjustment.

It would be directed by a Board made up of the political leadership (elected/appointed at the central and local levels of government), executives (senior officials), and the private sector. It could be supported by a small technical staff drawn from existing agencies.

### **3 NGO Strengthening for Community Development and Upgrading**

The need to upgrade the housing and infrastructure of much of the existing urban and fringe areas of Tirana has been identified as critical to achieving sustainable and equitable development in the city. For high- and middle-income groups, the main issue is to provide serviced land and housing and to improve the trunk and immediate access infrastructure. The constraints in accomplishing this mainly require technical and legislative solutions which are documented elsewhere. For low-income groups, either living formally in substandard housing in the city or squatting in informal settlements on the periphery of the city, the need to provide infrastructure and serviced land is complicated by the social conditions, cultural perspectives, and financial limitations of these groups.

To allow decisions to be made regarding the provision of housing, land, and infrastructure to low-income groups, there is a need to assess the extent, ability, and willingness of these groups to contribute toward their own development. This will involve a community-managed approach to the provision of infrastructure and other services.

It is important that community management is viewed as a development tool ultimately leading toward the community feeling and acting more responsibly towards the project. This not only facilitates project operation and maintenance, but much more importantly acts to remove the dependency and helplessness predominant in many low-income communities by establishing a conviction in the community of their own self-driven ability to improve their conditions.

To achieve this requires the involvement of the community at all stages of the project cycle. Assistance is often required to provide competent and sympathetic dialogue and technical, social, and financial support in helping the community identify its key problems and arrive at practical and sustainable solutions. Central and local government agencies are currently not in a position to deliver this expert assistance and it is questionable whether it is within their mandate to attempt to do so. It is therefore proposed that non-governmental organizations (NGOs), through the establishment of community-based organizations (CBOs), play a strong role in undertaking these activities.

The advantages of this approach are:

- some NGOs are already active in Tirana and in some cases have cultivated constructive rapport with low-income groups;
- to accomplish the goals of safe water, sanitation, and a hygienic environment for all communities, which will take a considerable amount of time. To maintain the impetus and financing of upgrading projects, revolving funds could be established and operated by the NGOs, accountable to the Government of Albania; and
- NGOs can best identify, use, and motivate other development oriented groups, such as women's groups, in community management, and are also equipped and have the time to identify persons in the beneficiary community to organize CBOs or to train as community health workers.



It is proposed that local NGOs be selected to work with government and international donor agencies to implement low-income assistance projects through some or all of the following activities:

- using CBOs and adopting a participatory approach;
- focusing on building self-reliance among target groups;
- organizing regularization schemes and assisting community groups in establishing improvement priorities;
- organizing community/partnership programs and fee collection to undertake improvement projects;
- implementing upgrading projects, including water supply and other environmental health schemes in low-income areas;
- operating small credit schemes for employment generation and home improvement;
- operating effective training centers offering both formal and on-the-job training courses; and
- operating health education and other health initiatives, such as mother-child health, school health classes, immunization campaigns, etc.

Indigenous NGOs would require assistance to increase their capabilities to undertake such projects. An assessment of both local and foreign NGOs active in Albania should be undertaken and areas where linkages between international and local NGOs could be improved be suggested. It is recommended that the following activities be undertaken to initiate this activity.

- Recommend means by which international NGOs could become involved in strengthening local NGOs through formal and informal training methods, partnership arrangements, and other liaison activities and initiatives;
- Work to engender an acceptance and understanding in government agencies of the important role NGOs play in the development process. This will include, among other actions, the formulation of guidelines and the development of processes to allow government to “contract” NGOs to perform development and upgrading work.
- Develop initiatives and propose methods to assist NGOs to work alongside government agencies and private developers to facilitate the provision of housing, infrastructure, and services in areas requiring upgrading.

# **Appendices**

**Appendix A**  
**Infrastructure Contact Group**

## Infrastructure Contact Group

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The Land Management Task Force would like to thank the following individuals for their advice and input into the Structure Plan and Capital Improvement Program.

- |    |                 |   |
|----|-----------------|---|
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| 3  | Vladimir Gjini: | Director, Water Enterprise, MoCT                                |
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| 5  | Gazmend Daci:   | Director, Energy Institute (KESH), Ministry of Power            |
| 6  | Sadik Zotaj:    | Specialist, Water Enterprise, MoCT                              |
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| 17 | Edward Baholli: | Water Maintenance Coordinator, Tirana Municipality              |
| 18 | Kudret Shalsi:  | Chairperson, Tirana District                                    |

## **Appendix B**

### **Financial Implications**

## Tirana Land Management Study Financial Implications

### Options for Funding of Capital Expenditure and Coverage of Annual Expenses for Operation, Maintenance, and Debt Service<sup>1</sup>

TYPE OF INFRASTRUCTURE	EXPENDITURE FUNDING OR COST COVERAGE		COMMENTS
	CAPITAL EXPENDITURE	OPERATIONS AND MAINTENANCE	
Water Supply: On-site	<ol style="list-style-type: none"> <li>Owner/Developer.</li> <li>Land sale profit (public land) and development fees<sup>2</sup> (public and private land).</li> </ol>	<ol style="list-style-type: none"> <li>Owner/developer.</li> <li>Plot charge (before vesting).</li> <li>User charge and/or public subsidy (after vesting).</li> </ol>	Full cost recovery is possible and desirable by using economic pricing. Public subsidy may provide <b>more</b> or may provide <b>less</b> social equity. It will be economically <b>inefficient</b> , in that more water will be used at lower prices.
Water Supply: Immediate Access	<ol style="list-style-type: none"> <li>Land sale profit (public land) and development fees (public and private land).</li> <li>Public funds<sup>3</sup> (central/local).</li> <li>Foreign aid grants.</li> <li>Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>Plot charge (before vesting).</li> <li>User charge and/or public subsidy (after vesting).</li> </ol>	
Water Supply: Trunk/Treatment	<ol style="list-style-type: none"> <li>Public funds (central/local)</li> <li>Foreign aid grants.</li> <li>Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>User charge and/or public subsidy.</li> </ol>	

The options shown in the tables are not mutually exclusive. Several methods may be combined to cover the cost for each type of activity.

Development fees may be imposed by legal authority or might result from agreement between owners/residents and the planning authority. They can include other types of payments, such as “proffers,” “exactions,” or “betterment levies.” In addition, “work in kind” might be provided, instead of cash payments.

“Public funds” connote general revenues from either local or national resources. Most local revenues are currently derived from national government ministerial budgets and even the property tax will be a shared defined revenue. Thus, it is somewhat meaningless to presume a clear distinction between “local” and “national” revenues.

## B-2

TYPE OF INFRASTRUCTURE	EXPENDITURE FUNDING OR COST COVERAGE		COMMENTS
	CAPITAL EXPENDITURE	OPERATIONS AND MAINTENANCE	
Sewerage: On-site	<ol style="list-style-type: none"> <li>1. Owner/Developer.</li> <li>2. Land sale profit (public land) and development fees (public and private land).</li> </ol>	<ol style="list-style-type: none"> <li>1. Owner/developer.</li> <li>2. Plot charge (before vesting).</li> <li>3. User charge and/or public funds (after vesting).</li> </ol>	<p>“User charge” could be a surcharge on water supply or a property-based charge. Sewerage, unlike water supply, is not clearly a “market good.” The user may have less expensive options which create higher public costs (e.g., septic tanks). Thus, it <b>may</b> be appropriate to compel use of the public system. This can be done by making charges whenever the public system is accessible or by covering costs from public funds. A surcharge on water is, in principle, a sales tax.</p>
Sewerage: Immediate Access	<ol style="list-style-type: none"> <li>1. Land sale profit (public land) and development fees (public and private land).</li> <li>2. Public funds (central/local).</li> <li>3. Foreign aid grants.</li> <li>4. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. Plot charge (before vesting).</li> <li>2. User charge and/or public funds (after vesting).</li> </ol>	
Sewerage: Trunk/Treatment	<ol style="list-style-type: none"> <li>1. Public funds (central/local).</li> <li>2. Foreign aid grants.</li> <li>3. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. User charge and/or public funds.</li> </ol>	

## B-3

TYPE OF INFRASTRUCTURE	EXPENDITURE FUNDING OR COST COVERAGE		COMMENTS
	CAPITAL EXPENDITURE	OPERATIONS AND MAINTENANCE	
Roads and Drainage: On-site	<ol style="list-style-type: none"> <li>1. Owner/Developer.</li> <li>2. Land sale profit (public land) and development fees (public and private land).</li> </ol>	<ol style="list-style-type: none"> <li>1. Owner/developer.</li> <li>2. Plot charge (before vesting).</li> <li>3. Public funds (after vesting).</li> </ol>	<p>User charges neither possible nor appropriate. No opportunity for tolls in the congested system.</p>
Roads and Drainage: Immediate Access	<ol style="list-style-type: none"> <li>1. Land sale profit (public land) and development fees (public and private land).</li> <li>2. Public funds (central/local)</li> <li>3. Foreign aid grants.</li> <li>4. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. Plot charge (before vesting).</li> <li>2. Public funds (after vesting).</li> </ol>	
Roads and Drainage: Main/Trunk	<ol style="list-style-type: none"> <li>1. Public funds (central/local).</li> <li>2. Foreign aid grants.</li> <li>3. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. Public funds</li> </ol>	



TYPE OF INFRASTRUCTURE	EXPENDITURE FUNDING OR COST COVERAGE		COMMENTS
	CAPITAL EXPENDITURE	OPERATIONS AND MAINTENANCE	
Solid Wastes: Neighborhood	<ol style="list-style-type: none"> <li>1. Owner/Developer.</li> <li>2. Land sale profit (public land) and development fees (public and private land). [Only minor expenditure, like communal bins or hand-carts.]</li> </ol>	<ol style="list-style-type: none"> <li>1. Owner/developer.</li> <li>2. Plot charge (before vesting).</li> <li>3. User charge and/or public funds (after vesting).</li> </ol>	<p>Charge can be:</p> <ol style="list-style-type: none"> <li>1. Contract for commercial wastes, with institutions which have no less costly collection or disposal.</li> <li>2. Simple plot or house fees for households which have no less costly systems and/or are motivated to safe/full disposal.</li> <li>3. Public funds. Waste disposal is not clearly a “market good.” Users may have less expensive options, which create public costs (e.g., illegal or unsanitary dumping). It <b>may</b> be better to <b>compel</b> use of the public system, by making charges whenever the public system is accessible or by covering costs from public funds. Clean public spaces creates a public good.</li> </ol>
Solid Wastes: Collection	<ol style="list-style-type: none"> <li>1. Public funds (central/local).</li> <li>2. Foreign aid grants.</li> <li>3. Loans (local or foreign).</li> <li>4. Privatization or contracting-out — implicit rent of equipment from contractor.</li> <li>5. Equipment lease.</li> </ol>	<p><b>Collection from Specific Premises</b></p> <ol style="list-style-type: none"> <li>1. Plot charge (before vesting).</li> <li>2. User charge and/or public funds (after vesting).</li> </ol> <p><b>Cleaning of Streets and Public Open Space</b></p> <ol style="list-style-type: none"> <li>1. Public Funds.</li> </ol>	
Solid Wastes: Disposal	<ol style="list-style-type: none"> <li>1. Public funds (central/local).</li> <li>2. Foreign aid grants [likely only for imported equipment or full disposal systems].</li> <li>3. Loans (local) for landfill.</li> <li>4. Loans (foreign) [likely only for imported equipment or full systems].</li> <li>5. Private ownership of disposal sites or systems.</li> </ol>	<ol style="list-style-type: none"> <li>1. User charge and/or public funds.</li> <li>2. Fee to private parties or contractors for use of private disposal facility.</li> <li>3. Recycling profit from selected types of wastes.</li> </ol>	

TYPE OF INFRASTRUCTURE	EXPENDITURE FUNDING OR COST COVERAGE		COMMENTS
	CAPITAL EXPENDITURE	OPERATIONS AND MAINTENANCE	
Electricity: On-site	<ol style="list-style-type: none"> <li>1. Owner/Developer.</li> <li>2. Land sale profit (public land) and development fees (public and private land).</li> </ol>	<ol style="list-style-type: none"> <li>1. Owner/Developer (Bulk fee to electricity utility — before vesting).</li> <li>2. User charge and/or public subsidy (after vesting).</li> </ol>	<p>Full cost recovery is possible and desirable on the basis of economic efficiency pricing. Public subsidy may provide <b>more</b> or <b>less</b> social equity. It is also economically <b>inefficient</b>, in that more electricity will be used at the lower (subsidized) price.</p>
Electricity: Immediate Access	<ol style="list-style-type: none"> <li>1. Land sale profit (public land) and development fees (public and private land).</li> <li>2. Public funds (central/local).</li> <li>3. Foreign aid grants.</li> <li>4. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. User charge and/or public subsidy (after vesting).</li> </ol>	
Electricity: Main/Generation	<ol style="list-style-type: none"> <li>1. Public funds (central/local)</li> <li>2. Foreign aid grants.</li> <li>3. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. User charge and/or public subsidy.</li> </ol>	

TYPE OF INFRASTRUCTURE	EXPENDITURE FUNDING OR COST COVERAGE		COMMENTS
	CAPITAL EXPENDITURE	OPERATIONS AND MAINTENANCE	
Urban Transport: On-site	<ol style="list-style-type: none"> <li>1. Owner/Developer</li> <li>2. Land sale profit (public land) and development fees (public and private land). [Only minor expenditure — like bus shelters and (possibly) turning circles.]</li> </ol>	<ol style="list-style-type: none"> <li>1. Plot charge (before vesting).</li> <li>2. User charges (passenger fares) and/or public funds (after vesting).</li> </ol>	<p>Full cost recovery may be possible on the basis of economic efficiency pricing. However, it is common for urban transport to be subsidized, to reflect actual or claimed public benefits from reduction of pollution, congestion, and hazard. The poor state of Tirana roads suggests that a public subsidy that reduces car use might be in the public interest.</p>
Urban Transport: Mains and Depots	<ol style="list-style-type: none"> <li>1. Public funds (central/local)</li> <li>2. Foreign aid grants.</li> <li>3. Loans (local and foreign).</li> <li>4. Privatization or contracting out — implicit rent of equipment from contractor.</li> </ol>	<ol style="list-style-type: none"> <li>1. User charge (bus fares) and/or public subsidy.</li> </ol>	
Social Services (Education, Health, Welfare, Parks, Fire, Ambulances, Cemeteries, Street Lights, etc.)	<ol style="list-style-type: none"> <li>1. Owner/Developer.</li> <li>2. Land sale profit (public land) and development fees (public and private land). [Only minor expenditure — like local parks, clinics, and street lights.]</li> <li>3. Joint community contributions.</li> <li>4. Public funds (central/local).</li> <li>5. Foreign aid grants.</li> <li>6. Loans (local and foreign).</li> <li>7. Privatization or contracting out — implicit rent of equipment from contractor.</li> </ol>	<ol style="list-style-type: none"> <li>1. User charge and/or public funds.</li> </ol>	<p>User charges likely to be minimal and not aimed at cost recovery. Most social services are “merit goods,” by definition to be met from taxes. A well motivated community may provide cash or work contributions for some facilities.</p>

TYPE OF INFRASTRUCTURE	EXPENDITURE FUNDING OR COST COVERAGE		COMMENTS
	CAPITAL EXPENDITURE	OPERATIONS AND MAINTENANCE	
Low-Income Housing: On-site	<ol style="list-style-type: none"> <li>1. Owner/Developer.</li> <li>2. Land sale profit (public land) and development fees (public and private land).</li> <li>3. Public funds (central/local).</li> <li>4. Foreign aid grants and NGO funds.</li> <li>5. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. Owner/developer.</li> <li>2. User rent and/or public subsidy.</li> </ol>	Contributions by owners or developers can come out of monopoly rents from use of a specific site. This will need to be imposed by a “linkage” agreement. Otherwise, the owner will maximize revenue from the site, by the sale of all plots for their highest and best use.
Low-Income Housing: Off-site	<ol style="list-style-type: none"> <li>1. Owner/Developer of another site (as an outcome of a “linkage” agreement).</li> <li>2. Land sale profit (public land) and development fees (public and private land) from another site, appropriated for this purpose.</li> <li>3. Public funds (central/local).</li> <li>4. Foreign aid grants and NGO funds.</li> <li>5. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. Owner/developer.</li> <li>2. User rent and/or public subsidy.</li> </ol>	Use of the potential surplus (for housing) can reduce its availability for infrastructure and there is a point at which the developer or owner will “walk away” from the development, rather than reduce profit further or take a loss. Annual O&M may need to be subsidized. [Low-cost housing is a complex and vexatious issue.]

TYPE OF INFRASTRUCTURE	EXPENDITURE FUNDING OR COST COVERAGE		COMMENTS
	CAPITAL EXPENDITURE	OPERATIONS AND MAINTENANCE	
Upgrading: Immediate Access	<ol style="list-style-type: none"> <li>1. Development fees (public and private land).</li> <li>2. Community participation.</li> <li>3. Plot charges.</li> <li>4. Public funds (central/local).</li> <li>5. Foreign aid grants.</li> <li>6. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. Plot charge.</li> <li>2. User charge and/or public subsidy — depending on nature of service.</li> </ol>	
Upgrading: Trunk	<ol style="list-style-type: none"> <li>1. Public funds (central/local).</li> <li>2. Foreign aid grants.</li> <li>3. Loans (local and foreign).</li> </ol>	<ol style="list-style-type: none"> <li>1. User charge and/or public subsidy — depending on nature of service.</li> </ol>	